

Message Text

CONFIDENTIAL

PAGE 01 LISBON 02067 01 OF 02 151843Z
ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 TRSE-00 INR-05 INRE-00 SSO-00
EURE-00 CIAE-00 NSC-05 NSCE-00 EB-04 IO-06 L-01 OMB-01
IGA-01 SP-02 DODE-00 /048 W
-----151931Z 043762 /45
O R 151805Z MAR 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC IMMEDIATE 0563
INFO AMEMBASSY BONN

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 2067

LIMDIS

DEPT PASS TREASURY

E.O. 11652: GDS
TAGS: EFIN, EAID, ECON, PO, GW
SUBJECT: FINANCIAL ASSISTANCE TO PORTUGAL

REF: LISBON 2051

1. MARIO SOARES INVITED ME TO LUNCH ON MARCH 15, THE DAY AFTER HIS ARRIVAL FROM HIS SECOND EUROPEAN PILGRIMAGE ON BEHALF OF PORTUGUESE ENTRY INTO THE EEC. WHILE WE DISCUSSED A RANGE OF SUBJECT, THE PRINCIPAL PURPOSE OF THE LUNCH WAS TO GIVE ME A REPORT ON HIS CONVERSATION WITH SCHMIDT.

2. I NOTED THAT IN HIS ARRIVAL REMARKS SOARES HAD REFERRED TO SLIGHT DIFFERENCES IN APPROACHES BETWEEN THE FRG AND USG ON THE CONSORTIUM (REFTEL). I SAID MY IMPRESSION WAS THAT DIFFERENCES WERE MORE THAN SLIGHT. SOARES SAID HE HAD DELIBERATELY UNDERPLAYED PROBLEMS RAISED BY FRG, BUT THEY WERE CLEARLY MAJOR ONES AS FAR AS HE WAS CONCERNED. IT WAS IMPOSSIBLE TO CONCEIVE OF RESTRUCTURING THE IMF IN TIME TO PROVIDE NEEDED MEDIUM-TERM ASSISTANCE TO PORTUGAL, AND A
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LISBON 02067 01 OF 02 151843Z

SERIES OF SHORT-TERM LOANS TO FILL THE GAP WOULD ONLY COMPLICATE THE PROBLEM. "ALL HOPE OF STABILITY IN PORTUGAL," SOARES SAID, "DEPENDS ON THE CONSORTIUM."

3. SOARES SAID SCHMIDT HAD REASSURED HIM DURING HIS PRIVATE CONVERSATION THAT FRG WOULD NOT LET HIM DOWN. FRG UNDERSTOOD THE PROBLEMS HE FACED AND AGREED WITH USG

ON NEED FOR ASSISTANCE. HOWEVER, SCHMIDT HAD FOLLOWING PROBLEMS WITH THE FORMAT DEVELOPED BY USG: (A) CONSORTIUM LOAN WOULD REQUIRE APPROVAL OF BUNDESTAG, WHICH WAS UNLIKELY. (B) USG HAD DETERMINED A SHARE FOR FRG WHICH DID NOT TAKE INTO CONSIDERATION PREVIOUS GERMAN AID TO PORTUGAL. IT WAS IMPLIED, BUT NEVER STATED, THAT USG HAD NOT ENGAGED IN EXTENSIVE ENOUGH CONSULTATION WITH FRG. (C) FRG WAS WORRIED ABOUT PRECEDENT CONSORTIUM WOULD ESTABLISH. IT WOULD BE BETTER IF A WAY COULD BE FOUND TO PROVIDE AID THROUGH INTERNATIONAL MECHANISM SUCH AS IMF. SOARES SAID HE HAD SUGGESTED OECD AS AN ALTERNATIVE BUT THIS HAD BEEN REJECTED BY FRG.

4. SOARES CAME AWAY FROM HIS GERMAN VISIT WITH IMPRESSION THAT POEHL WOULD GO TO WASHINGTON SPECIFICALLY TO RENEGOTIATE ARRANGEMENTS WITH USG. I TOLD HIM I HAD HAD NO OFFICIAL REACTION TO POEHL VISIT BUT MY IMPRESSION WAS THAT FRG DID NOT SUGGEST OR AGREE TO ANY CONCRETE ARRANGEMENT DURING CRITICAL PERIOD WHEN NEW IMF ARRANGEMENT WAS BEING WORKED OUT.

5. SOARES SAID THIS WAS A SERIOUS PROBLEM. GOP FOUND ITSELF IN AWKWARD POSITION SINCE ITS EMBASSIES WERE MAKING DEMARCHES AROUND THE WORLD ON BEHALF OF IMMEDIATE CREATION OF CONSORTIUM. IT WOULD BE BEST IF HE GOT BACK TO SCHMIDT IMMEDIATELY TO URGE FRG TO COME UP WITH CONCRETE SUGGESTIONS ON WHAT MIGHT BE DONE DURING INTERIM PERIOD AND TO URGE THAT FRG REACH EARLY AGREEMENT WITH USG ON THE APPROACHES TO OTHER POTENTIAL CONTRIBUTORS.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LISBON 02067 01 OF 02 151843Z

6. SOARES REACTION TO FRG POSITION WAS ONE OF CONCERN WITHOUT ANY SUGGESTION THAT FRG HAD LET HIM DOWN. TO CONTRARY, HE UNDERSTOOD FRG'S CONSISTENT SUPPORT FOR HIM AND HIS PARTY AND NOTED THAT SCHMIDT'S COMMITMENT WAS SIMILAR TO ONE I HAD DELIVERED WHILE OUR PROGRAM WAS STILL IN ITS EARLY STAGES OF FORMATION. USG HAD COME THROUGH AND HE EXPECTED FRG TO DO LIKEWISE.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 LISBON 02067 02 OF 02 151844Z

ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 TRSE-00 INR-05 SSO-00 EURE-00
CIAE-00 NSC-05 NSCE-00 EB-04 IO-06 L-01 OMB-01 IGA-01
INRE-00 SP-02 DODE-00 /048 W

-----151933Z 043750 /45

O R 151805Z MAR 77

FM AMEMBASSY LISBON

TO SECSTATE WASHDC IMMEDIATE 0564

INFO AMEMBASSY BONN

C O N F I D E N T I A L SECTION 2 OF 2 LISBON 2067

LIMDIS

DEPT PASS TREASURY

7. WHILE I WAS LUNCHING WITH THE PRIME MINISTER, ECON COUNSELOR WAS MEETING WITH VITOR CONSTANCIO, WHO PARTICIPATED IN DISCUSSIONS WITH SCHMIDT. CONSTANCIO CONFIRMED THE FOREGOING INFORMATION, AND EMPHASIZED FOLLOWING POINTS. SCHMIDT REFUSED TO DISCUSS DETAILS OF FRG ASSISTANCE, BUT FIRMLY STATED THAT FRG WOULD INSURE AVAILABILITY OF EXCHANGE RESOURCES. SCHMIDT WAS NOT NECESSARILY TALKING ABOUT A BASIC RESTRUCTURING OF IMF REGULATIONS IN ORDER TO PERMIT USE OF SUPER TRANCHE QUOTAS OR ESTABLISHMENT OF SPECIAL TRUST FUND. RHATER, HE LEFT THIS POINT RATHER VAGUE, SIMPLY STATING THAT IMF COULD NEGOTIATE WITH GOP, REACH AGREEMENT, AND THEN TURN TO INTERESTED COUNTRIES TO PROVIDE THE FINANCING. SCHMIDT REPEATEDLY ASSURED PORTUGUESE OFFICIALS THAT THIS ARRANGEMENT WOULD BE COMPLETED WITHIN FIVE MONTHS. FOR HIS PART, POEHL GAVE CLEAR UNDERSTANDING THAT HE WOULD MEET WITH USG OFFICIALS IN EFFORT TO ACHIEVE COMPROMISE AGREEMENT. USG-FRG DISCUSSIONS WERE TO BE HELD IN STRICTEST CONFIDENCE. IN THAT WAY, FINAL AGREEMENT COULD BE PRESENTED TO THE PUBLIC AS AN IMPLEMENTATION OF THE ALREADY-ANNOUNCED \$1.5 BILLION
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LISBON 02067 02 OF 02 151844Z

CONSORTIUM LOAN, RHATER THAN AS A SIGNIFICANTLY DIFFERENT APPROACH. CONSTANCIO, AGREEING THAT GOP MUST PRESS ITS CASE WITH FRG, PLANS TO MEET WITH POEHL DURING THAT LATTER'S RETURN TRIP TO GERMANY. HE IS CONVINCED THAT THE GERMANS ARE DISPOSED TO BE HELPFUL, BUT GOP IS CONCERNED THAT THEIR ALTERNATIVE PROPOSAL MAY PROVIDE ONLY SHORT-TERM, AND NOT MID-TERM, FINANCING.

8. CONSTANCIO REPORTED THAT THE FRENCH GOVERNMENT HAD TAKEN A POSITION VERY SIMILAR TO THAT OF THE FRG, NAMELY,

IT IS DISPOSED TO JOIN OTHER NATIONS IN ASSISTING PORTUGAL,
BUT IT WOULD HAVE EXTREME DIFFICULTY DOING SO VIA THE
BUDGETARY PROCESS.
CARLUCCI

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, ECONOMIC STABILITY, DIPLOMATIC DISCUSSIONS, CONSORTIUMS
Control Number: n/a
Copy: SINGLE
Sent Date: 15-Mar-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LISBON02067
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770089-0068
Format: TEL
From: LISBON
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770359/aaaabzsc.tel
Line Count: 174
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1628f8b7-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 77 LISBON 2051
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3106005
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL ASSISTANCE TO PORTUGAL
TAGS: EFIN, EAID, ECON, PO, GE, (SOARES, MARIO)
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/1628f8b7-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009